

# **Exhibit 3**



ASSET  
MANAGEMENT

### Investment Philosophy

The Fund seeks to generate total annual returns through "cash and carry" transactions and capital markets arbitrage. The Fund generally invests in high quality floating rate structured finance securities. Typically, 90% of the Fund's gross assets are invested in AAA or AA structured finance assets. In order to mitigate market-to-market and credit risk, the Fund tactically buys credit insurance, generally through credit default swaps ("CDS"), on corporate indices and/or individual names. Interest rate duration is targeted to be zero, with net leverage of approximately 10x.

### February 2007 Commentary

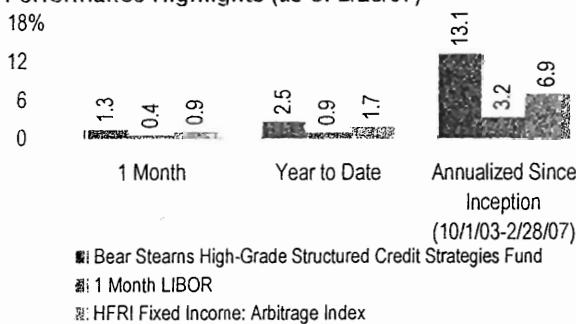
For the month ended February 28, 2007 Bear Stearns High Grade Structured Credit Strategies returned an estimated 1.32%. Investors in the 1% fee class will have earned an estimated 1.38%.

February was a volatile month in the structured credit markets, particularly in any credit associated with sub-prime mortgages. Over the course of February there were a number of failures in sub-prime originators as well as historically high levels of early delinquencies in sub-prime securitizations originated in 2006. The mass media carried many stories about potential disasters in the sub-prime market. The result of this was a rapid and severe widening in the sub-prime credit derivatives index which in turn led to a broad based widening of mortgage-backed assets up and down the capital structure.

The Fund was well positioned for this spread widening because of the hedges put in place over the second half of 2006. These hedges were concentrated in the triple-B and single-A tranches of the ABX indices. The realized and unrealized mark to market on the hedges totaled approximately +5.3%. Assets were marked down approximately 4.4% with carry adding approximately 0.4%.

As always, we welcome your questions and comments.

### Performance Highlights (as of 2/28/07)



### Statistics<sup>1</sup>

	BSHGSCS L.P.	BSHGSCS Ltd.	1 Month LIBOR <sup>3</sup>	HFRI Fixed Income: Arbitrage Index <sup>3</sup>
Cumulative Since Inception %	52.48	52.52	11.37	25.47
Annualized Since Inception %	13.14	13.15	3.20	6.87
Average Monthly Return %	1.04	1.04	0.26	0.56
Annualized Standard Deviation %	1.50	1.50	0.46	0.96
Positive Months	41	41	41	39
Negative Months	—	—	—	2
% of Positive Months	100.00	100.00	100.00	95.12
Sharpe Ratio	6.36	6.38	—	3.91
Fund Assets (\$mil) <sup>2</sup>	902	902	—	—
NAV	—	1,525.19	—	—

### Monthly (Net) Returns<sup>4</sup> (%) – Onshore Feeder Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	BSHGSCS L.P.	1 Month LIBOR	HFRI Fixed Income: Arbitrage Index
2003										1.60	1.62	1.47	4.76	0.28	2.71
2004	1.78	1.68	1.64	1.53	1.63	1.46	0.91	1.23	0.77	1.50	0.83	0.73	16.88	1.44	5.99
2005	1.17	1.45	0.73	0.65	0.36	0.85	0.75	0.50	0.42	1.19	0.31	0.70	9.46	3.31	5.60
2006	0.89	0.71	0.48	0.62	0.74	0.41	0.86	0.69	1.02	1.18	1.38	1.48	10.96	5.06	7.33
2007	1.21	1.32	—	—	—	—	—	—	—	—	—	—	2.54	0.87	1.72

### Monthly (Net) Returns<sup>4</sup> (%) – Offshore Feeder Fund

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2003	—	—	—	—	—	—	—	—	—	1.60	1.62	1.48	4.76	0.28	2.71
2004	1.78	1.68	1.64	1.53	1.63	1.46	0.91	1.23	0.78	1.50	0.84	0.73	16.88	1.44	5.99
2005	1.17	1.45	0.73	0.65	0.36	0.85	0.75	0.50	0.42	1.19	0.31	0.70	9.47	3.31	5.60
2006	0.89	0.71	0.48	0.62	0.74	0.40	0.86	0.68	1.02	1.18	1.38	1.48	10.97	5.06	7.33
2007	1.21	1.32	—	—	—	—	—	—	—	—	—	—	2.54	0.87	1.72

1. Source: PerTrac.

2. Includes both the US and Offshore feeders.

3. Indexes are provided for comparative purposes only. LIBOR refers to the London Inter Bank Offered Rate. The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as benchmarks for their own hedge funds. The HFRI Fixed Income Arbitrage Index tracks managers who employ market neutral hedging strategies which seek to profit by exploiting pricing inefficiencies between fixed income securities while neutralizing interest rate risk exposure. Because the index is calculated based on information that is voluntarily provided and not otherwise subject to public disclosure, actual returns of the hedge fund universe may be higher or lower than those reported. The index is unmanaged and does not reflect transaction costs or management fees and other expenses, and may have volatility, investment and other characteristics that differ from the Fund. Unlike the index, the Fund is actively managed and may include substantially fewer securities than the number of securities comprising the index. Please be aware that the returns for the HFRI Fixed Income Arbitrage Index are estimates and are subject to change.

4. Preliminary returns are net of advisory fees, expenses and performance fees and reflect reinvestment of interest income and other earnings. Preliminary returns are subject to change by the Fund's Administrator. If applicable, returns shown are for the Fund shares that are allowed to participate in "new issues." The Fund is actively managed and therefore its holdings will change over time. Returns are for an investor who has been in since September 1, 2004 (when management fees increased to 2%). Returns for other investors may differ. Past performance is no guarantee of future results.

Please note that additional information about the Fund, including intra-month or end of month performance estimates, portfolio holdings, return attributions, fund flows, and risk reports may be available. Please contact your Bear Stearns Asset Management salesperson or Hedge Fund Product Management for more information: Heather Malloy at (212) 272-3226, hmalloy@bear.com, and Ken Mak at (212) 272-8375, kmak@bear.com.

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## Bear Stearns High-Grade Structured Credit Strategies Fund

Preliminary Performance Profile, February 28, 2007

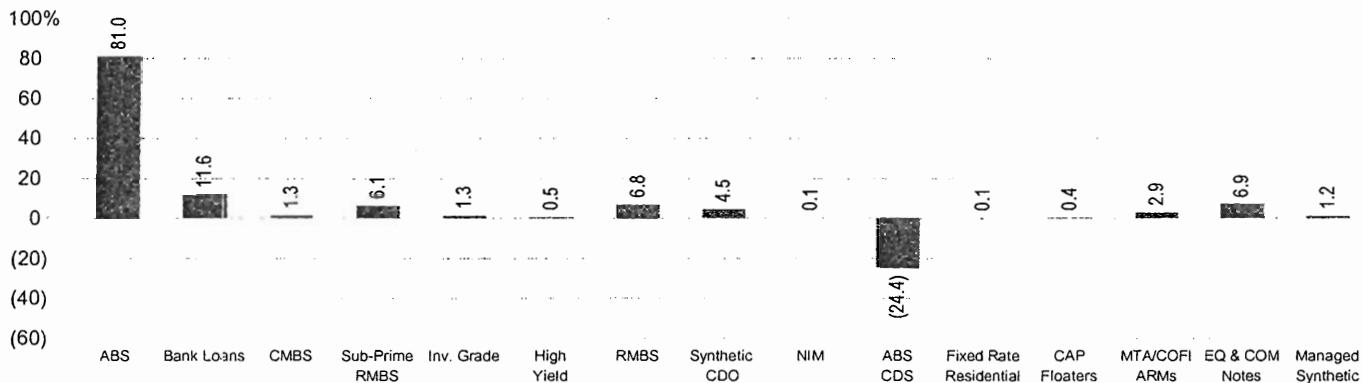
February 28, 2007

# Bear Stearns High-Grade Structured Credit Strategies Fund

Portfolio Characteristics	(\$in millions)
Total Investor Capital (\$mil)	902
Gross Long Position (\$mil)	10,003
Adjusted Credit Default Swaps (\$mil) <sup>1</sup>	3,592
Net Leverage <sup>2</sup>	4.75
Portfolio Cash Flow Average Life	3.40

Ratings Distribution	%
AAA	76
AA	14
A	0
Below A	10

## Collateral Summary (%)



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Any investment in a private investment fund involves significant risks not associated with more conventional investment alternatives. Any person subscribing for an investment must be able to bear the risks associated with the Fund and must meet the Fund's suitability requirements. The Fund is speculative and involves a substantial degree of risk. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that the Fund's investment objectives will be achieved. The Fund's risks include, but are not limited to, the following: The Fund anticipates employing a significant amount of leverage and engaging in other speculative investment practices that may increase the risk of investment loss; past results of the Fund and the investment manager are not necessarily indicative of future performance of the Fund, and the Fund's performance may be volatile; an investor could lose all or a substantial amount of his or her investment; the investment manager has total trading authority over the Fund and the Fund is dependent upon the services of the investment manager; the use of a single advisor, which could mean lack of diversification and, consequently, higher risk; the Fund is subject to conflicts of interest; the Fund is highly illiquid; there is no secondary market for the investors' interest in the Fund and none is expected to develop; there are restrictions on transferring interests in the Fund; the Fund's fees and expenses may offset the Fund's trading profits; the Fund is not subject to the same regulatory oversight as mutual funds; the Fund is not required to provide periodic pricing or valuation information to investors with respect to its individual investments; the instruments in which the Fund invests may involve complex structures and there may be delays in distributing important tax information; a limited portion of the trades executed for the Fund may take place on foreign markets. BSAM and its affiliates may have positions, effect transactions or make markets in securities or options on such securities referenced herein. Bear, Stearns & Co., Inc. may have underwritten securities for, or otherwise have an investment banking relationship with, issuers referenced herein. Please review the "Risk Factors," "Conflicts of Interest," fee and expense information in the Fund's Confidential Private Placement Memorandum.

1. The notional amount of CDS has been adjusted for their longer duration, 4.48 years vs. 3.40 years for the HGCS assets. The CDS Notional has been multiplied by 4.48/3.40 or 1.32.
2. Net Leverage is defined as Gross Long Position minus Credit Default Swaps divided by Investor Capital. Capital allocated to Klio Funding (approximately \$40 mm) is not included in leverage calculation.

Please note that additional information about the Fund, including intra-month or end of month performance estimates, portfolio holdings, return attributions, fund flows, and risk reports may be available. Please contact your Bear Stearns Asset Management salesperson or Hedge Fund Product Management for more information: Heather Malloy at (212) 272-3226, hmalloy@bear.com, and Ken Mak at (212) 272-8375, kmak@bear.com.  
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